EXTRAPOLATION MADNESS: THE GOLF BOOM THAT WASN'T

TROUBLE AHEAD FOR THE HEALTH CARE INDUSTRY

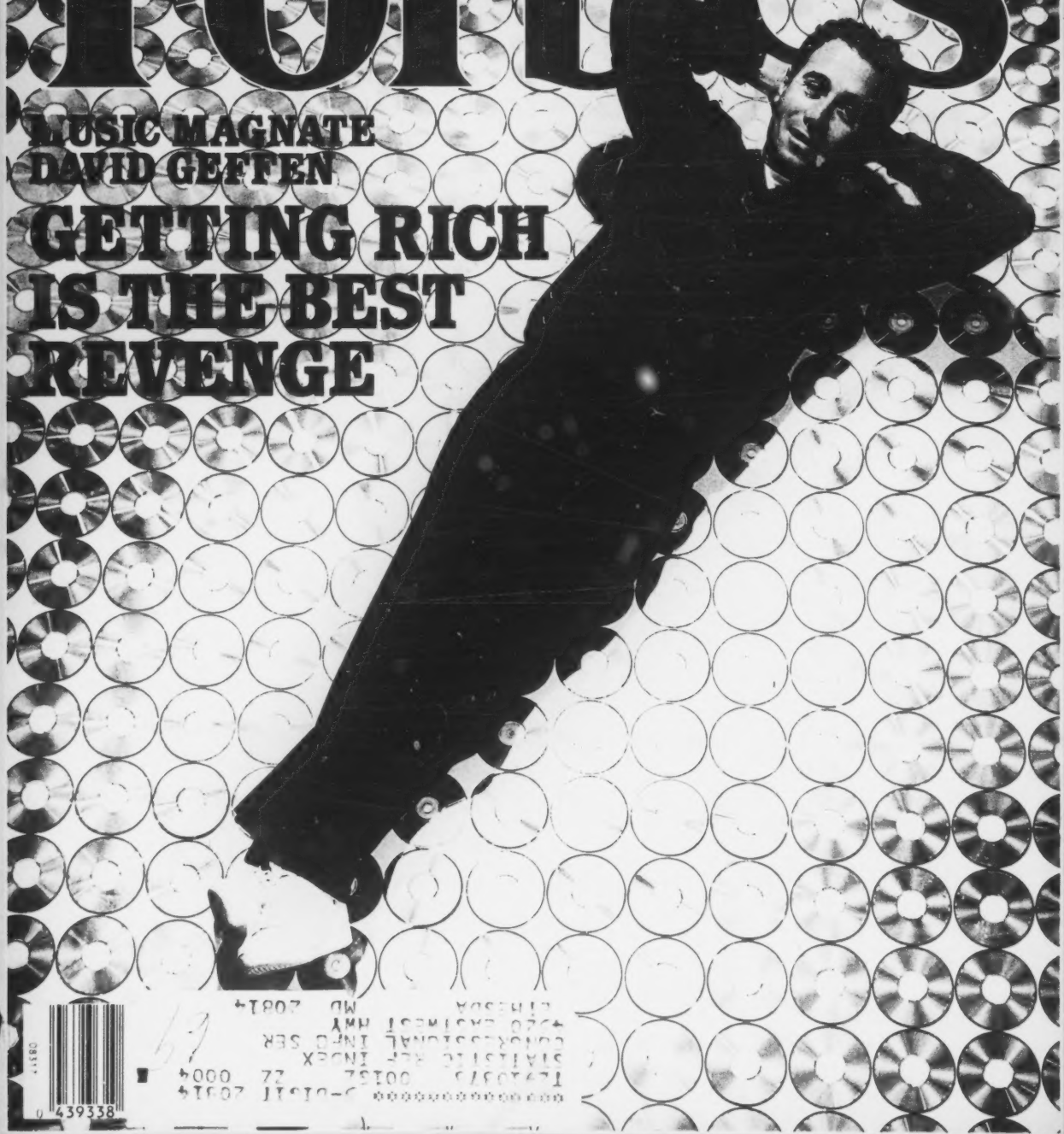
EXERCISING AT YOUR DESK: HOW TO KEEP THOSE ENDORPHINS FLOWING

DECEMBER 24, 1990 FOUR DOLLARS

Forbes

MUSIC MAGNATE DAVID GEFFEN

GETTING RICH IS THE BEST REVENGE



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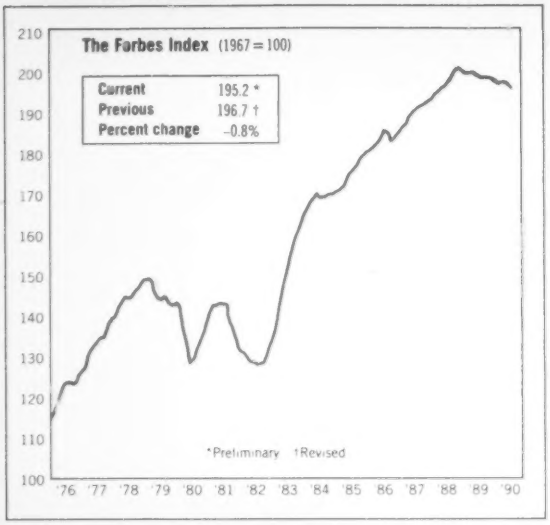
The Forbes Index



Despite a 3.6% jump in durable goods orders, the preliminary Forbes Index shows a 0.8% decline in October. (Two items have not been reported: consumer installment credit and inventories.) If this decline in the Index holds, it will be not only the third consecutive monthly decline but also the largest drop in nearly four years. Adverse indicators include declining industrial production and personal income, and rising unemployment claims. Housing starts rose 1.2% from September to October. That leaves them 27% below their October 1989 level.

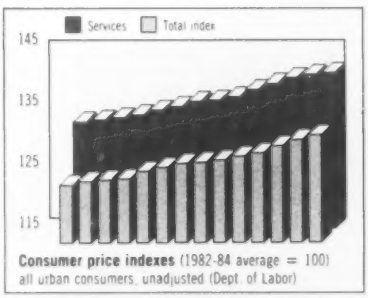
Other key rates	Source	Status
Prime rate	Chase Manhattan Bank	10.0%
Auto sales year to date vs. 1989[1]	Ward's Automotive	-2.8%
Index of leading indicators October vs. September	Dept of Commerce	-1.2%
Trade balance 12 months ended September 1990	Dept of Commerce	-$101 bil
Producer price index October vs. 1989[2]	Dept of Labor	6.4%
GNP 3rd quarter vs. 2nd—annualized growth	Dept of Commerce	1.7%
NBER Experimental Recession Probability Index[3]	Natl Bureau of Economic Research	10.0%

[1]U.S.-based manufacturers, excludes imports, as of 11/20/90. [2]Finished goods. [3]October 1990.

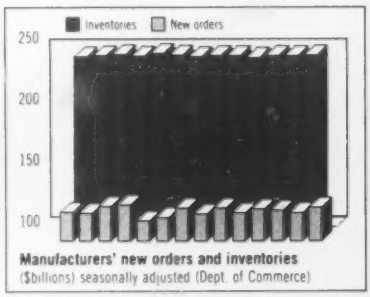
Index Components

The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, new housing starts, total retail sales, the level of new orders for durable goods compared with manufacturers' inventories, personal income, total consumer installment credit.

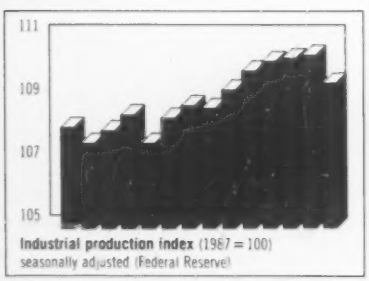
To measure these 8 elements, FORBES monitors 10 series of U.S. government data. The last 14 months' data for each series are presented below.



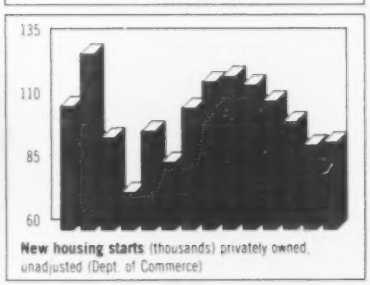
Consumer price indexes (1982-84 average = 100) all urban consumers, unadjusted (Dept. of Labor)



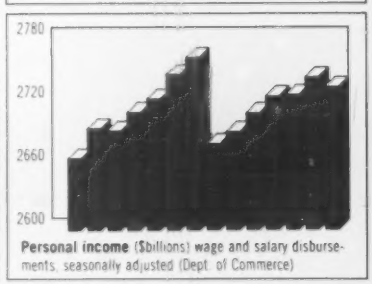
Manufacturers' new orders and inventories ($billions) seasonally adjusted (Dept. of Commerce)



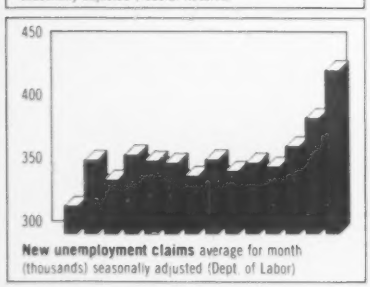
Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)



New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)

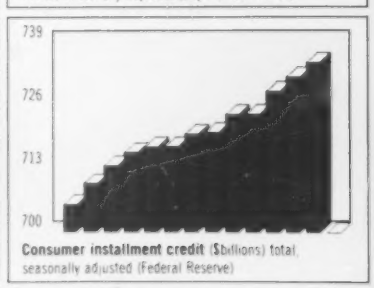


Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)

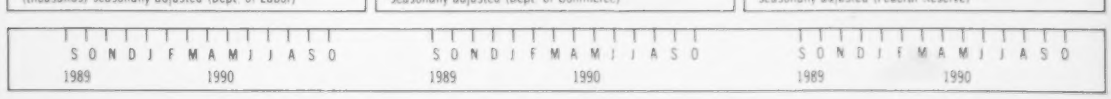


New unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)

Retail sales ($billions) seasonally adjusted (Dept. of Commerce)



Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)



The Forbes Wall Street Review

By Eric S. Hardy

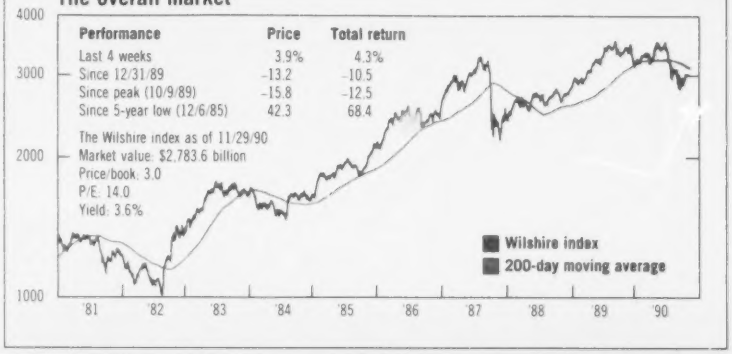
Douglas Jones, portfolio manager of Sit New Beginning Growth Fund, bravely ventures where most other investors fear to tread—into initial public offerings and small-company stocks. "We buy stocks for the long term," he says, "and assume we'll have to hold a position if and when liquidity dries up." Jones doesn't mind being one of only a few institutional investors in a stock if he's confident about the firm's management and underlying business.

Stocks that seem underanalyzed or misunderstood are one of his fortes. One example: Dekalb Genetics, a seed company that was distributed without fanfare to Dekalb AgResearch holders in August 1988, when the latter split up its agriculture and energy businesses.

Arctco Inc., once part of Minneapolis investor Irwin Jacobs' empire, is another example. "This summer, Arctco went public when nobody wanted to think about new issues, especially a snowmobile company," Jones recalls. But Jones now sees a buying opportunity in Arctco, which was offered at 11 and now trades at 7.

During the two weeks ended Nov. 29, the capitalization-weighted Wilshire index was unchanged. It is now off 13% for the year. Absent a quick and dramatic rally, the Wilshire index is likely to end the year lower than it began, for the first time since 1987.

The overall market[1]



The Best Performing Stocks

Company	Price	2-week change	P/E	Avg vol (thou)[2]	Rel vol[3]
Viacom	22⅛	27%	NM	244	1.2
Lotus Development	22⅜	27	11	4,233	1.0
Texas Instruments	31¾	19	NM	4,582	1.8
Russell	21¼	18	13	560	0.9
LAC Minerals	7⅝	15	51	614	0.5

The Worst Performing Stocks

Company	Price	2-week change	P/E	Avg vol (thou)[2]	Rel vol[3]
MCI Communications	20	-33%	18	26,199	1.6
Echo Bay Mines	8¾	-18	NM	3,927	1.5
USF&G	8¾	-17	6	8,720	2.4
US Bancorp	17¼	-16	6	3,784	1.0
Arkla Exploration	14⅜	-16	NM	160	1.3

Closeup on the Market

Index or investment	Price	2-week change
Wilshire index 6,000 stocks, capitalization weighted	2,968.36	0.0%
Wilshire index 6,000 stocks, equal weighted	17.10	2.3
Dow Jones industrials 30 stocks, divisor-adjusted price average	2,518.81	-1.0
S&P 500 Capitalization weighted cross section, major stocks	316.42	-0.2
NYSE Capitalization weighted, all listed common stocks	173.14	0.0
Amex Capitalization weighted total return, stocks, warrants	299.87	1.1
Nasdaq Capitalization weighted, all issues except warrants	355.75	0.4
Amex international market index Capitalization weighted, 50 largest ADRs	293.82	-0.7

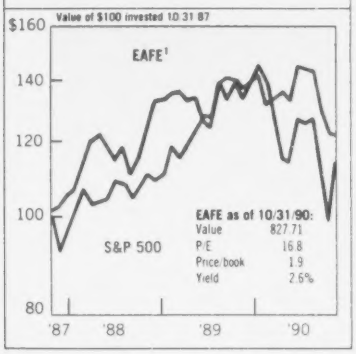
Index or investment	Price or rate	2-week change
Europe, Australia, New Zealand and Far East[4] (EAFE) a dollar denominated capitalization weighted index	789.20	-2.0%
Institutional[5] Approximately 200 stocks with high institutional ownership	91.74	1.2
Individual[5] Approximately 200 stocks with low institutional ownership	81.82	0.5
Russell 2000 index 2000 stocks with small market values, capitalization weighted	127.51	2.6
Gold[6] (composite quote of 6 major dealers)	$389.00	1.8
Yen[6] (per $U.S.)	133.50	2.9
Commodity index[6] (CRB futures index, 1967 = 100)	224.72	-0.1
Oil[6] (W Texas Intermediate)	$28.85	-7.2
T bills[6] (90 days)	7.02%	-7 basis points[7]
Broker loan rate[6]	9.25%	-25 basis points[7]

Note: All data for periods ending 11/29/90. Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. Stocks listed above have market capitalizations of $500 million or more. [1]Capitalization weighted, prepared by Wilshire Associates, Santa Monica, Calif. [2]Average daily volume over a 2-week period. [3]Average daily volume over the last 2 weeks, divided by the average daily volume over the preceding 3 months. [4]Morgan Stanley Capital International Perspective. [5]For period ending 11/30/90. A. Arbel, Cornell University, using Ford Database from Ford Investor Services. [6]Knight-Ridder Financial Information. [7]A basis point is equal to one-hundredth of a percentage point. NM: Not meaningful.

World Markets Review

By Gustavo Lombo

Foreign vs. U.S. markets



Developed markets

Market	Total return[2] 3 months	12 months	P/E
Japan	–6%	–27%	32
UK	–7	22	10
Denmark	–7	23	15
Netherlands	–8	11	11
Belgium	–11	3	9
Austria	–30	31	34
Sweden	–29	–7	10
Finland	–25	–29	10
New Zealand	–25	–31	17
Singapore[3]	–23	–1	15

Emerging markets

Region	Total return[2] 3 months	12 months	P/E
Latin America	–20%	–20%	NA
Asia	–24	–46	NA
Country	**Total return[2] 3 months**	**12 months**	**P/E**
Venezuela	95%	335%	21
Zimbabwe	16	107	11
India	11	55	25
Brazil	–48	–65	7
Philippines	–45	–59	17
Taiwan/China	–39	–65	26

Japan's market fell to a new 1990 low in October and then made a partial recovery. For the three months ended Oct. 31, the total return—dividends plus (or minus) appreciation, all expressed in dollars—on Japanese stocks was –6%, the best among developed overseas markets. (Morgan Stanley's EAFE index was off 10.6%.) Makoto Hiranuma, a senior analyst at Nomura Research Institute in New York, attributes the relatively good Japanese showing to an easing of monetary policy, a lowering of the ten-year bond yield (to 7.8%) and an influx of foreign money.

Venezuelan stocks have a 12-month total return of 335%. Higher oil prices helped. Alejandro Recio of Caracas brokerage Marino Recio Valores also credits new laws that let commercial banks become market participants, and the government's willingness to attract foreign investment. Venezuela's total market capitalization is nearly $6 billion, or about that of one big U.S. stock such as Monsanto. A year ago this market was worth $1.3 billion.

Who's Hot

Company/country	Business	Price	3-month price change	P/E
Eisai/Japan	health prods	15	22%	35
Mount Charlotte/UK	leisure/tourism	1⅜	20	13
Nutricia Cert/Netherlands	food prods	65⅝	18	16
Baltica Holding/Denmark	insurance	172¾	17	14
Synthelabo/France	health care	124	14	28

Who's Not

Company/country	Business	Price	3-month price change	P/E
News Corp/Australia	broadcast/pub	4	–59%	5
Cerus/France	financial svcs	27¼	–59	3
SKF B Fria/Sweden	ind components	13	–57	6
Cookson Group/UK	misc materials	1½	–55	3
Bramalea/Canada	real estate	5	–51	7

Cheap Foreign Stocks

Company/country	Business	Price	Earnings	P/E
CGE/France	elect & electron	113⅛	$10.11	11
SmithKline Beecham A/UK	health care prods	11⅜	0.66	17
Schmalbach-Lubera/Germany	packaging	183⅛	9.35	20
Anritsu/Japan	elect & electron	13	0.40	33
Chugai Pharmaceutical/Japan	health care prods	10½	0.22	47

High-Yielding Foreign Stocks

Company/country	Business	Price	Yield	P/E
Hidroelectrica/Spain	utility	4⅜	10.5%	8
Granada/UK	leisure/tourism	3⅛	10.2	5
Universale-Bau/Austria	construction	246¼	9.5	4
Intercom/Belgium	utility	107¾	8.3	11
Transalta Utilities/Canada	utility	10⅜	8.1	12

Note: Data for period ending 10.31.90. Selected stocks have a market capitalization of at least $300 million. [1]EAFE is a price return index of European, Australian, New Zealand and Far Eastern stocks converted into U.S. dollars. [2]Performance numbers reflect both local price change and currency fluctuation. Dividends are reinvested after subtracting foreign withholding tax. [3]Includes Malaysia. NA: Not applicable. Principal source: Morgan Stanley Capital International Perspective. Emerging markets data provided by International Finance Corporation.